

Social Return on Investment

Points Available: 1

Aim

To recognise holistic methods to assess return on investment on the productivity, health and other social benefits provided by a project.

Rating Tool Eligibility



Green Star
Design & As Built



Green Star
Interiors



Green Star
Performance



Legacy Green Star
Rating Tools

Why is this Innovation Challenge Important?

The social benefits that sustainable buildings and fitouts offer are often not considered as part of the regular cost and value analysis. While indirect benefits such as improvements to productivity, health or other social elements may not appear financially viable when considered in isolation, when considered as part of a more holistic cost benefit analysis, their value may begin to outweigh concerns about their upfront costs. This is particularly the case when one considers that the benefits will extend beyond individual building users to the community and economy more broadly.

This Innovation Challenge aims to encourage the holistic assessment of the direct and indirect costs and benefits of sustainable buildings and fitouts. Some examples include upgrades to planned infrastructure, improvements to the productivity, health and skills of building occupants and the immediate community.

This Innovation Challenge also aims to increase industry skills and capacity in the areas of lifecycle costing and cost benefit analysis to a recognised standard. Increasing this knowledge will demystify the costs, and, when combined with the benefits of sustainable building practices, provide clear information to the industry on the value proposition of sustainable buildings and fitouts.

Compliance Requirements

To claim this Innovation Challenge your project team must:

- Complete an analysis of the **direct costs and benefits** provided by elements of the project above and beyond standard practice. This analysis can include those costs and benefits resulting from the sustainability initiatives implemented in targeting credits for your project's Green Star rating (excluding Innovation credits); and
- Complete an analysis of the **indirect costs and benefits** provided by the project in the areas of productivity, health, crime reduction, employment, and skills development or similar.

Alternative Compliance Methods

A Credit Interpretation Request (CIR) may be submitted to the Green Building Council of Australia (GBCA) when an applicant wishes to advocate for an alternative yet equivalent method of meeting the Compliance or Documentation Requirements. Any CIRs submitted for this Innovation Challenge will be processed as free-of-charge.

Guidance

The 'Return on Investment' credit from the *Green Star – Communities* rating tool is an example of how this initiative is applied at a precinct, neighbourhood and/or community scale. The challenge is how your project can apply this initiative at a building or interior fitout scale.

For your information and reference, this credit is attached to this Handbook as an Appendix.

Additional Information

Nicholls et al. (2009) 'A Guide to Social Return on Investment', <http://socialvalueuk.org/what-is-sroi/the-sroi-guide>

Documentation Requirements

Design Review / Design and As Built Submissions

Provide the following required documentation:

- **Submission Template** outlining how the project team has addressed the Innovation Challenge. The Submission Template also enables project teams to provide feedback on the Innovation Challenge to inform future developments.

Provide documentation to support the claims made within the Submission Template. This may include:

- **Completed analysis of the direct costs and benefits** provided by elements of the project above and beyond standard practice, or those already covered within the credits of the rating tool under which your project is registered (excluding Innovation credits); and
- **Completed analysis of the indirect costs and benefits** provided by the project in the areas of productivity, health, crime reduction, employment, and skills development or similar.

RETURN ON INVESTMENT

Credit 20

Points available: 2

AIM OF THE CREDIT

To encourage and recognise holistic methods to assess the return on investment in response to the sustainability goals for the project.

The lack of transparent information on the costs and benefits of sustainable building practices has reduced the uptake of these practices by some sectors. Increasing this knowledge will demystify the costs, and, when combined with the benefits of sustainable building practices, provide clear information to the industry on the value proposition of sustainable buildings, fitouts and communities.

CREDIT CRITERIA

Process	20.1	Analysis of Direct Costs and Benefits	1 point is available where projects apply cost and benefit analysis methods in assessing return on investment from optional investment items.
Process	20.2	Analysis of Indirect Costs and Benefits	1 additional point is available where; <ul style="list-style-type: none"> a) Criterion 20.1 is achieved; and b) Where the analysis of costs and benefits includes indirect costs and benefits.

COMPLIANCE REQUIREMENTS

20.0 GENERAL REQUIREMENTS

20.0.1 Qualified Professional

The analysis of costs and benefits should be completed by a suitably qualified professional with a formal economic qualification or similar, or a minimum of 5 years experience in undertaking economic studies of infrastructure investments.

20.0.2 Core Infrastructure and Optional Investment Items

The return on investment assessment method for this credit focuses on optional investment items. Therefore, the analysis should clearly differentiate between core infrastructure and optional investment items.

Core infrastructure includes roads, paths, water, wastewater, electricity, lighting, and communications infrastructure. Optional investment items are considered to be those that are not core infrastructure.

Optional elements of core infrastructure, such as upgrading of planned core facilities to a higher standard, are considered optional and therefore the additional cost of upgrading should be included as an optional investment items.

The non-core infrastructure items that are in the local area (as defined in the 'Community Investment' credit), can be included in the project's calculations.

20.1 ANALYSIS OF DIRECT COSTS AND BENEFITS

One (1) point is awarded where projects apply cost and benefit analysis methods in assessing return on investment from optional investment items in accordance with 20.1.1.

20.1.1 The application of cost and benefit analysis or life cycle costing must be consistent with one of the guides listed below:

- A. Cost Management Manual Vol 3 – *Life Cycle Costing* – Australian Institute of Quantity Surveyors;
- B. Life cycle costing study consistent with the requirements of AS/NZS 4536:1999 *Life Cycle Costing: An Application Guide*; and
- C. The process for cost benefit analysis outlined in the Best Practice requirements set out by Australian Commonwealth Department of Finance and Administration – *Handbook of Cost Benefit Analysis*, January 2006.

20.2 ANALYSIS OF INDIRECT COSTS AND BENEFITS

One point is awarded where the requirements of 20.1 has been achieved and the cost and benefit analysis or life cycle costing has been extended to include indirect costs and benefits in accordance with 20.2.1

20.2.1 The inclusion of indirect costs and benefits must meet the following requirements:

- a. Include indirect costs and benefits for infrastructure that accounts for at least 50% of optional investment item spending;
- b. Address issues such as productivity, health, crime, employment, skills development and education;
- c. Articulate any assumptions used for the calculation(s); and
- d. Include costs and benefits received by entities other than the developer, such as by the local or state government, or society in terms of increased education or reduced crime.

INNOVATION

Project teams are invited to sign up for an Innovation Challenge to develop an approach to recognise the holistic methods to assess social return on investment at a Green Star - Communities project site level. The proposed approach should have regard to the predominant approach as set out in 'A Guide to Social Return on Investment' (Nicholls et al., 2009). The guide identifies seven principles which underpin six stages for the conduct of a social return on Investment analysis.

For further information on Innovation Challenges see the Innovation section of the GBCA's website.

GUIDANCE

ALTERNATIVE COMPLIANCE METHODS

A Credit Interpretation Request (CIR) may be submitted to the Green Building Council of Australia (GBCA) when an applicant wishes to advocate for an alternative yet equivalent method of meeting Compliance Requirements. It is a formal process, reviewed either by the GBCA, or by independent external assessors, depending on the complexity of the issue.

A Credit Interpretation Request and other queries may be submitted through the project manager section of the GBCA website.

STANDARDS AND GUIDELINES

Referenced Documents

The following documents are referenced in this credit:

Australian Institute of Quantity Surveyors, *Cost Management Manual Vol. 3 - Life Cycle Costing*:
<http://members.aiqs.com.au/iMISpublic/Core/Orders/product.aspx?catid=11&prodid=21>

Commonwealth of Australia (2006), *Handbook of Cost Benefit Analysis*

Standards Australia (1999), *AS/NZS 4536:1999 Life Cycle Costing - An Application Guide*:
<http://infostore.saiglobal.com/store/details.aspx?ProductID=384885>

Nicholls et al. (2009) '*A Guide to Social Return on Investment*'
<http://www.thesroinetwork.org/sroi-analysis/the-sroi-guide>

Additional Information

Additional information can be found in the following documents:

Department of Finance and Deregulation, Office of Best Practice Regulation, *Cost Benefit Analysis*:
<http://www.finance.gov.au/obpr/cost-benefit-analysis.html>

Grant, T., Hes, D. (2002), *Life Cycle Assessment - Application in Buildings*, Environment Design Guide, GEN 51

Paranagemage, P., Price, A., Khandokar, F. (2010), *Briefing: Holistic Assessment of Sustainable Urban Development*, Proceedings of the Institute of Civil Engineers - Urban Design and Planning, Vol 163, issue 3

DOCUMENTATION REQUIREMENTS

Submission Template

Complete the Submission Template 20 *Return on Investment*.

Supporting Documents

Provide supporting documentation as required to demonstrate compliance. This may include:

For 20.1 Analysis of Direct Costs and Benefits

- Evidence of the cost and benefit analysis or Life Cycle Costing undertaken; and
- CV of suitably qualified professional.

For 20.2 Analysis of Indirect Costs and Benefits

- Evidence of the cost and benefit analysis or Life Cycle Costing undertaken including indirect costs and benefits; and
- CV of suitably qualified professional.